

Approved in S/S, 6/1/69

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May 16, 1969

5/16/69

MEMORANDUM OF CONVERSATION

PARTICIPANTS: M. M. Ahmad, Chief, Economic Planning  
Commission in Pakistan  
Agha Hilaly, Ambassador of Pakistan  
Henry A. Kissinger  
Harold H. Saunders

Date and Place: Friday, May 16, in Dr. Kissinger's office

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Dr. Kissinger opened the 20-minute conversation by saying that he had the warmest recollections of his 1962 visit, and the guests exchanged jocular remarks over the treatment that Dr. Kissinger had received by the Pakistani press.

Mr. Ahmad said that the President of Pakistan had wanted him to come to Washington and have the full range of contacts in AID, the World Bank, and the White House.

Dr. Kissinger responded that we want to maintain the closest of contact with the Pakistanis.

Mr. Ahmad went on to say that the Government of Pakistan had drawn three conclusions as a result of the recent troubles there:

1. Aid does work and continued foreign support for Pakistan's economic development is justified.
2. High economic growth rates are not by themselves enough. Pakistan has maintained high rates of growth, but that alone has not staved off the acute demands for social reform articulated in the recent disturbances.
3. The disturbances have demonstrated that a substantial rate of economic growth has been "institutionalized." Even with the disturbances, a substantial measure of economic progress continues.

Mr. Ahmad noted that, while the martial law administration has not solved Pakistan's problems, it has bought a breathing spell during which they might be solved.

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For one thing, he said that the Pakistani Government had now realized that it would have to sacrifice some of its economic growth rate for the sake of social reform and of meeting the problem of disparity in the allocation of resources between East and West Pakistan.

He hoped that Pakistan could continue to count on substantial outside support in this effort. The meeting of the World Bank aid consortium in Paris would, for that reason, be extremely important. Although he did not assess any blame, he stated that the sharp drop in the availability of aid in the past year had caused a pinch in the allocation of resources within Pakistan which had had a very direct relationship to the coming of the recent troubles.

Dr. Kissinger said that the President has a very warm spot in his heart for former President Ayub Khan and for Pakistan. How that concern translates into dollars and cents is a matter that involves a wide range of issues, both domestic and foreign. But it does assure a deep concern for Pakistan's interests and responsiveness to Pakistan's requirements.

When Dr. Kissinger asked Mr. Saunders whether there were any other substantive issues which would be coming to the President's attention soon, Mr. Saunders noted that the President would in due course be reviewing the economic aid program for the next year in Pakistan.

Ambassador Hilaly noted quickly that there was also the question of military aid, and Dr. Kissinger acknowledged that that is under current review. He said, with a smile, that we would not be "doctrinaire" in making up our minds.

In response to a question from Mr. Saunders, Mr. Ahmad noted that the military aid decision had also had budgetary implications since Pakistan had had to cut back resources devoted to the development budget in order to finance the procurement of military equipment when it was no longer provided on a grant basis by the United States.

In closing, Dr. Kissinger reassured Mr. Ahmad and the Ambassador that we wanted to maintain close contact and that this Administration would continue to be concerned with developments in Pakistan.

*H. H. S.*

Harold H. Saunders

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